

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Saline Area Fire Department</u>	County <u>Washtenaw</u>
Audit Date <u>June 30, 2005</u>	Opinion Date <u>August 31, 2005</u>	Date Accountant Report Submitted To State: <u>October 12, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>1000 Oakbrook, Suite 400</u>	City <u>Ann Arbor</u>	State <u>MI</u>	ZIP <u>48104</u>
Accountant Signature <i>Plante & Moran, PLLC</i>			

Saline Area Fire Department

**Financial Report
with Supplemental Information
June 30, 2005**

Saline Area Fire Department

Contents

Report Letter	I
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Government-wide/Fund Financial Statements:	
Statement of Net Assets/Balance Sheet	5
Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance	6
Notes to Financial Statements	7-14
Required Supplemental Information	15
Budgetary Comparison Schedule - General Fund	16
Other Supplemental Information	17
Budgetary Comparison Schedule - Capital Projects Fund	18



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Independent Auditor's Report

To the Executive Board
Saline Area Fire Department

We have audited the accompanying financial statements of the governmental activities and each major fund of the Saline Area Fire Department as of and for the year ended June 30, 2005, which collectively comprise the Saline Area Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Saline Area Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Saline Area Fire Department as of June 30, 2005 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, identified in the table of contents, and the budgetary comparison schedule are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saline Area Fire Department's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. We did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 31, 2005



A worldwide association of independent accounting firms

Saline Area Fire Department

Management's Discussion and Analysis

Our discussion and analysis of the Saline Area Fire Department's (the "Fire Department") financial performance provides an overview of the Fire Department's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Fire Department's financial statements.

The Fire Department as a Whole

The following table shows, in condensed format, the net assets of the Fire Department (in thousands of dollars):

TABLE I

	Governmental Activities	
	2005	2004
Assets		
Current assets	\$ 365	\$ 438
Noncurrent assets	<u>1,393</u>	<u>1,348</u>
Total assets	1,758	1,786
Liabilities		
Current liabilities	235	261
Long-term liabilities	<u>131</u>	<u>168</u>
Total liabilities	<u>366</u>	<u>429</u>
Net Assets		
Invested in capital assets - Net of related debt	1,273	1,188
Restricted	120	160
Unrestricted	<u>(1)</u>	<u>9</u>
Total net assets	<u><u>\$ 1,392</u></u>	<u><u>\$ 1,357</u></u>

Saline Area Fire Department

Management's Discussion and Analysis (Continued)

The following table shows the Fire Department's changes in net assets (in thousands of dollars):

	Governmental Activities	
	2005	2004
Revenue		
Operations	\$ 688	\$ 615
Fire runs	33	43
Capital improvements	-	50
Federal sources	97	-
Interest income and other	2	22
Total revenue	820	730
Expenditures		
Salaries, wages, and fringe benefits	486	502
Repairs, maintenance, and improvements	17	34
Depreciation	71	67
Other program expenses	211	220
Total expenditures	785	823
Change in Net Assets	\$ 35	\$ (93)

The Fire Department's combined net assets increased from last year due to the acquisition of two Federal Emergency Management Agency (FEMA) grants utilized for capital purchases along with monitoring and reducing expenditures from the prior year.

Governmental Activities

The Fire Department's total governmental revenues increased during the current year due largely in part to the acquisition of two FEMA grants that enabled the fire department to make capital purchases during a year when no capital contributions were collected from the entities. Operating revenues were higher than the previous year and were collected from the governmental units without utilization of contingency funds.

Even though health care, salary, utility, and fuel costs increased throughout the year, the Fire Department was able to stay within its budgetary constraints. As in the past, the Fire Department will continue to closely monitor its manpower and operating costs and always look for avenues to effectively stay within its budget limitations.

Saline Area Fire Department

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Fire Department stayed below budget due to continued monitoring of its manpower and operating costs, making sure to stay within its budget limitations.

Capital Asset and Debt Administration

At the end of the year, the Fire Department had approximately \$354,000 in cash with a principal balance of \$120,000 remaining on the loan obtained in fiscal year 2002/2003 for the construction of a new fire engine. During the year, funds received from FEMA grants were utilized in capital purchases consisting of a smokehouse (fire prevention equipment) and for a vehicle exhaust system installed at the fire station.

Economic Factors and Next Year's Budgets and Rates

The Fire Department's budget for next year calls for minor changes with the exception that capital monies will once again be collected from the governmental entities in order to accumulate funds for future capital purchases. As always, the Fire Department will work hard to maintain a budget that is fair for all participating entities.

Contacting the Fire Department's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fire Department's office.

Saline Area Fire Department

Statement of Net Assets/Balance Sheet June 30, 2005

	Modified Accrual Basis			Adjustments	Statement of
	General	Capital Projects	Total	(Note 7)	Net Assets
Assets					
Cash and cash equivalents (Note 3)	\$ 234,153	\$ -	\$ 234,153	\$ -	\$ 234,153
Other assets	10,520	-	10,520	-	10,520
Restricted assets for loan repayment (Note 3)	22,455	97,545	120,000	-	120,000
Capital assets - Net (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,393,409</u>	<u>1,393,409</u>
Total assets	<u>\$ 267,128</u>	<u>\$ 97,545</u>	<u>\$ 364,673</u>	1,393,409	1,758,082
Liabilities					
Accounts payable	\$ 4,019	\$ -	\$ 4,019	-	4,019
Due to other governmental units	102,574	-	102,574	-	102,574
Deferred revenue - 2005-2006 contributions	53,378	21,585	74,963	-	74,963
Noncurrent liabilities:					
Due within one year (Note 5)	-	-	-	53,500	53,500
Due in more than one year (Note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,545</u>	<u>130,545</u>
Total liabilities	159,971	21,585	181,556	<u>184,045</u>	<u>365,601</u>
Fund Equity - Fund balance					
Reserved for loan repayment	22,455	97,545	120,000	(120,000)	-
Unreserved and undesignated	<u>84,702</u>	<u>(21,585)</u>	<u>63,117</u>	<u>(63,117)</u>	<u>-</u>
Total fund equity	<u>107,157</u>	<u>75,960</u>	<u>183,117</u>		
Total liabilities and fund equity	<u>\$ 267,128</u>	<u>\$ 97,545</u>	<u>\$ 364,673</u>		
Net Assets					
Invested in capital assets - Net of related debt				1,273,409	1,273,409
Restricted for loan repayment				120,000	120,000
Unrestricted				<u>(928)</u>	<u>(928)</u>
Total net assets				<u>\$ -</u>	<u>\$ 1,392,481</u>

Saline Area Fire Department

Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2005

	Modified Accrual			Adjustments	Statement of
	General	Capital Projects	Total	(Note 7)	Activities
Revenue					
City of Saline:					
Operations	\$ 270,767	\$ -	\$ 270,767	\$ -	\$ 270,767
Fire runs	12,263	-	12,263	-	12,263
Township:					
Operations:					
Lodi Township	220,505	-	220,505	-	220,505
Saline Township	72,745	-	72,745	-	72,745
York Township	123,557	-	123,557	-	123,557
Fire runs:					
Lodi Township	10,429	-	10,429	-	10,429
Saline Township	7,002	-	7,002	-	7,002
York Township	2,832	-	2,832	-	2,832
Federal sources	-	97,000	97,000	-	97,000
Interest income and other	1,663	938	2,601	-	2,601
Total revenue	721,763	97,938	819,701	-	819,701
Expenditures					
Salaries and wages	348,693	-	348,693	8,179	356,872
Fringe benefits	129,469	-	129,469	-	129,469
Supplies and other	26,326	-	26,326	-	26,326
Professional services	10,811	-	10,811	-	10,811
Communications	3,973	-	3,973	-	3,973
Transportation	6,000	-	6,000	-	6,000
Insurance and bonds	45,341	-	45,341	-	45,341
Utilities	12,654	-	12,654	-	12,654
Repairs, maintenance, and improvements:					
Fire hall	7,099	-	7,099	-	7,099
Equipment	13,173	-	13,173	(4,929)	8,244
Computer software maintenance	2,046	-	2,046	-	2,046
Schooling	15,875	-	15,875	-	15,875
Administration	70,230	-	70,230	-	70,230
Equipment purchases	-	111,946	111,946	(111,946)	-
Printing and publishing	955	-	955	-	955
Community promotion	3,022	-	3,022	-	3,022
Fuel	6,565	-	6,565	-	6,565
Dues plus subscriptions	2,272	-	2,272	-	2,272
Debt service	-	45,100	45,100	(40,000)	5,100
Depreciation	-	-	-	71,371	71,371
Total expenditures	704,504	157,046	861,550	(77,325)	784,225
Net Change in Fund Balance/Net Assets	17,259	(59,108)	(41,849)	77,325	35,476
Fund Balance/Net Assets - Beginning of year	89,898	135,068	224,966	1,132,039	1,357,005
Fund Balance/Net Assets - End of year	<u>\$ 107,157</u>	<u>\$ 75,960</u>	<u>\$ 183,117</u>	<u>\$ 1,209,364</u>	<u>\$ 1,392,481</u>

The Notes to Financial Statements are an
Integral Part of This Statement.

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of the Saline Area Fire Department (the "Fire Department") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Saline Area Fire Department is a governmental joint venture created by a contractual agreement between the City of Saline, Lodi Township, Saline Township, and York Township. The Saline Area Fire Department is governed by an eight-member board whose directors are selected and approved by the respective City and Township boards. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets/balance sheet and the statement of activities/statement of revenue, expenditures, and changes in fund balance) report information on all of the activities of the Saline Area Fire Department. The effects of interfund activity have been removed from these statements.

The statement of net assets/balance sheet demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Therefore, interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Saline Area Fire Department reports its General Fund as its major governmental fund. The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in the Capital Projects Fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Fire Department has elected not to follow private sector standards issued after November 30, 1989.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years, or as specified by management. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Vehicles and equipment	5 to 20 years

Deferred Revenue - Deferred revenue represents fees received by the Fire Department for operations pertaining to the subsequent fiscal year. Revenue is recognized in the fiscal year it is earned.

Compensated Absences (Vacation and Sick Leave) - It is the Fire Department's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The annual budget is prepared and adopted by the Saline Area Fire Department executive board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of actual operations to the budgets adopted by the board is included by way of the total revenue and total expenditures lines in the budget statement shown in required supplemental information. The additional detail provided is for management analysis only. This comparison includes no expenditure budget overruns.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Fire Department has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Department in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The deposits and investment policies are in accordance with statutory authority.

The Fire Department had no investments during the year ended June 30, 2005.

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 3 - Deposits and Investments (Continued)

The Fire Department's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Fire Department had approximately \$203,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Fire Department believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Fire Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, the deposits were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 234,153
Restricted assets for loan repayment	<u>120,000</u>
Total	<u>\$ 354,153</u>

The Saline Area Fire Department's cash and cash equivalents at June 30, 2005 are composed entirely of deposits with banking institutions.

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 4 - Capital Assets

Capital asset activity was as follows:

	Balance July 1, 2004	Additions	Balance June 30, 2005
Capital assets not being depreciated -			
Land	\$ 41,839	\$ -	\$ 41,839
Capital assets being depreciated:			
Buildings and improvements	399,741	-	399,741
Vehicles and equipment	<u>1,353,154</u>	<u>116,875</u>	<u>1,470,029</u>
Subtotal	1,752,895	116,875	1,869,770
Accumulated depreciation:			
Buildings and improvements	142,738	7,995	150,733
Vehicles and equipment	<u>304,091</u>	<u>63,376</u>	<u>367,467</u>
Subtotal	<u>446,829</u>	<u>71,371</u>	<u>518,200</u>
Net capital assets being depreciated	<u>1,306,066</u>	<u>45,504</u>	<u>1,351,570</u>
Net capital assets	<u>\$ 1,347,905</u>	<u>\$ 45,504</u>	<u>\$ 1,393,409</u>

Note 5 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Annual Interest Rate	Annual Principal Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreement	3.135%	\$ 40,000	\$ 160,000	\$ -	\$ 40,000	\$ 120,000	\$ 40,000
Compensated absences			<u>55,866</u>	<u>21,622</u>	<u>13,443</u>	<u>64,045</u>	<u>13,500</u>
Total obligations			<u>\$ 215,866</u>	<u>\$ 21,622</u>	<u>\$ 53,443</u>	<u>\$ 184,045</u>	<u>\$ 53,500</u>

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 5 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above installment purchase obligation are as follows:

	Principal	Interest	Total
2006	\$ 40,000	\$ 3,821	\$ 43,821
2007	40,000	2,548	42,548
2008	40,000	1,274	41,274
Total	<u>\$ 120,000</u>	<u>\$ 7,643</u>	<u>\$ 127,643</u>

Note 6 - Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Medical benefits are not provided to employees of the Fire Department. The Fire Department has purchased commercial insurance for employee accident and injury claims and participates in the Michigan Townships Participating Plan for claims related to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 7 - Description of Adjustments from the Modified Accrual to the Full Accrual Basis

The reconciliation of the governmental funds balance sheet to the statement of net assets is as follows:

Fund Balances - Total Governmental Funds	\$ 183,117
Amounts reported under the full accrual method in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	1,393,409
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(184,045)</u>
Net Assets of Governmental Activities	<u>\$ 1,392,481</u>

Saline Area Fire Department

Notes to Financial Statements June 30, 2005

Note 7 - Description of Adjustments from the Modified Accrual to the Full Accrual Basis (Continued)

The reconciliation of the statement of revenue, expenditures, and changes in fund balance to the statement of activities is as follows:

Net Change in Fund Balances - Total Governmental Funds		\$ (41,849)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital asset purchases	\$ 116,875	
Depreciation	<u>(71,371)</u>	45,504
Repayment of installment purchase agreement is an expenditure in the governmental funds, but not in the statement of activities (where it decreases long-term debt)		
		40,000
Increase in accumulated employee sick and vacation is recorded when earned in the statement of activities		
		<u>(8,179)</u>
Change in Net Assets of Governmental Activities		<u>\$ 35,476</u>

Note 8 - Allocation of Net Assets Between Member Communities

The allocation of the net assets as of June 30, 2005 is as follows:

City of Saline	\$ 548,359
Lodi Township	446,569
Saline Township	147,324
York Township	<u>250,229</u>
 Total net assets	 <u><u>\$ 1,392,481</u></u>

Required Supplemental Information

Saline Area Fire Department

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
City of Saline:				
Operations	\$ 259,002	\$ 259,002	\$ 270,767	\$ 11,765
Fire runs	24,573	24,573	12,263	(12,310)
Townships:				
Operations:				
Lodi Township	210,925	210,925	220,505	9,580
Saline Township	69,585	69,585	72,745	3,160
York Township	118,189	118,189	123,557	5,368
Fire runs:				
Lodi Township	20,012	20,012	10,429	(9,583)
Saline Township	6,602	6,602	7,002	400
York Township	11,213	11,213	2,832	(8,381)
Interest income and other	-	-	1,663	1,663
Total revenue	720,101	720,101	721,763	1,662
Expenditures				
Salaries and wages	349,320	359,320	348,693	10,627
Fringe benefits	148,000	133,500	129,469	4,031
Supplies	30,950	26,375	26,326	49
Professional services	9,200	10,425	10,811	(386)
Communications	4,000	4,200	3,973	227
Transportation	6,200	6,000	6,000	-
Insurance and bonds	50,000	45,700	45,341	359
Utilities	9,500	11,600	12,654	(1,054)
Repairs, maintenance, and improvements:				
Fire hall	3,500	7,300	7,099	201
Equipment	18,000	13,400	13,173	227
Computer software maintenance	2,000	2,100	2,046	54
Schooling	8,000	16,000	15,875	125
Administration	71,531	71,531	70,230	1,301
Printing and publishing	1,000	1,075	955	120
Community promotion	3,000	3,075	3,022	53
Fuel	4,000	6,200	6,565	(365)
Dues plus subscriptions	1,900	2,300	2,272	28
Total expenditures	720,101	720,101	704,504	15,597
Net Change in Fund Balance/Net Assets	-	-	17,259	\$ 17,259
Fund Balance/Net Assets - Beginning of year	89,898	89,898	89,898	
Fund Balance/Net Assets - End of year	\$ 89,898	\$ 89,898	\$ 107,157	

The Saline Area Fire Department board has adopted the budget on the basis of total revenue and expenditures. The budget shown above is in greater detail than adopted and is shown for management analysis only.

Other Supplemental Information

Saline Area Fire Department

Other Supplemental Information Budgetary Comparison Schedule - Capital Projects Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Federal sources	\$ 97,100	\$ 97,100	\$ 97,000	\$ (100)
Interest income and other	<u>1,200</u>	<u>1,200</u>	<u>938</u>	<u>(262)</u>
Total revenue	98,300	98,300	97,938	(362)
Expenditures				
Debt service	45,500	45,500	45,100	400
Equipment purchases	<u>111,946</u>	<u>111,946</u>	<u>111,946</u>	<u>-</u>
Total expenditures	<u>157,446</u>	<u>157,446</u>	<u>157,046</u>	<u>400</u>
Net Change in Fund Balance/Net Assets	(59,146)	(59,146)	(59,108)	<u>\$ 38</u>
Fund Balance/Net Assets - Beginning of year	<u>135,068</u>	<u>135,068</u>	<u>135,068</u>	
Fund Balance/Net Assets - End of year	<u>\$ 75,922</u>	<u>\$ 75,922</u>	<u>\$ 75,960</u>	

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